

**MINUTES OF REGULAR MEETING  
ILLINOIS GAMING BOARD  
June 16, 2005  
CHICAGO, ILLINOIS  
Revised**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Thursday, June 16, 2005 Regular Meeting of the Illinois Gaming Board ("Board") was held in the Copley Theater at the North Island Center in Aurora, Illinois pursuant to the Illinois Open Meetings Act, 5 ILCS 120/1 et seq.

The following Board Members were present: Chairman Aaron Jaffe and Members Gary Peterlin, Eugene Winkler and Charles Gardner. Member William Dugan was not present for the May 24, 2005 meeting.

Chairman Jaffe convened the June 16, 2005 Regular Meeting at 10:20 A.M. in the conference room of the Paramount Office.

The Board convened its Open Session at 1:45 P.M.

Chairman's Report

Chairman Jaffe announced that a week ago Judge Hall issued an order that the Board would be discussing with its attorneys. Chairman Jaffe stated that at this time the Board is not prepared to discuss the order.

Administrator's Report

Interim Administrator Tamayo announced that a couple of today's (June 16, 2005) agenda items would be tabled to a future meeting.

Interim Administrator Tamayo briefed the Board on Staff changes. Interim Administrator Tamayo announced that the Board's filing clerk has accepted a position with the Department of Revenue. Interim Administrator Tamayo stated that Staff is seeking Critical Vacancy Approval to be able to fill that position. Interim Administrator Tamayo stated that the Board has 12 vacancies within its allocated headcount and would be looking to identify how to fill the positions within the next couple of months. Interim Administrator Tamayo stated that Staff is looking to hire permanently a legislative liaison, additional attorneys, staff for the Internal Control Unit and additional administrative support staff.

Interim Administrator Tamayo stated that Staff is commencing the process of issuing contracts and has several contracts that will be presented to the Board for any comments or guidance that they may wish to give.

Interim Administrator Tamayo announced that the next Board meeting is scheduled for June 29, 2005 at the regular Chicago location.

#### Board Policy Items

Emergency Rulemaking – SB 0316 – Interim Administrator Tamayo stated that the General Assembly passed Senate Bill 0316, which implements a new admission tax rate, as well as a graduated wagering tax schedule that reverts back to the 2003 rates. Interim Administrator Tamayo stated that the Bill also provides for a hold harmless provision, which does not become effective until June 15, 2006. Interim Administrator Tamayo stated that Staff is requesting authority to file for Emergency Rulemaking changes to the admissions tax and to the graduated wagering tax upon the Governor signing the Bill into law.

Member Winkler moved that **the Board authorize the adoption of rules on an emergency basis and concurrently authorize the First Notice submission of proposed rules with the Secretary of State for publishing the amendments to Board Rule 3000.1071 regarding admission and wagering tax upon S.B. 0316 becoming law.** Member Gardner seconded the motion. The Board approved the motion unanimously by voice vote.

New Game – Four Card Poker – Interim Administrator Tamayo stated that Staff received this request at the time that the Board did not have a quorum. Interim Administrator Tamayo stated that typically a new game requires approval by the Board and then requires approval by the Administrator before it could be offered at the casinos. Interim Administrator Tamayo stated that Staff has had an opportunity to review the rules concerning Four Card Poker, and that they provide the fairness and the required levels of integrity for offering a new game.

Member Peterlin moved that **the Board direct the Administrator to include this game and the definition of this game on the list of Board- approved games and that this game not become authorized for play at any casino until approved by the Administrator for each owner licensee requesting authorization to offer this game.** Member Winkler seconded the motion. The Board approved the motion unanimously by voice vote.

#### Owner Licensee Items

Hollywood Casino – License Renewal – Pat Medchill, General Manager, was present on behalf of Hollywood Casino to request initial consideration for the renewal of Hollywood Casino's license. Mr. Medchill provided the Board with a brief video presentation highlighting the positive impact that Hollywood Casino has had on the City of Aurora, its commitment to doing business in Illinois, its contributions to civic and charitable organizations, its training programs for its employees, its commitment to female and minority hiring and upward mobility, and its commitment to responsible gaming.

Member Peterlin inquired if Hollywood continues to run its own Self-Exclusion Program. Mr. Medchill stated that it does. Mr. Medchill stated that Hollywood has submitted a

proposal to change its internal controls that would require persons wanting to self-exclude themselves to first enroll in the Gaming Board's program.

Member Gardner inquired if there are areas in the facility where minors are allowed. Mr. Medchill stated that minors are allowed in the Fairbanks Steak House but they can not go to any other restaurants or look in to see the casino.

Member Gardner commended Mr. Medchill and Hollywood for a job well done. Member Gardner stated that the Board does have concerns surrounding Hollywood's self-exclusion program. Member Gardner stated that when Hollywood transitions from its own self-exclusion program to the Gaming Board's, Hollywood should ensure that it keeps the 2,900 people that have self-excluded.

Member Gardner stated that Staff has noticed a change in the responsiveness of Hollywood to Staff subsequent to the acquisition by Penn National. Mr. Medchill stated that Hollywood is the same company that it has always been. Mr. Medchill stated that if there is something that is not being provided to Staff fast enough it would be his fault, and not the parent company's fault.

Penn National – Request to Purchase Argosy Gaming/Argosy Gaming – Request to Purchase Penn National – James Butler, General Counsel for Argosy Gaming, was present on behalf of Argosy to request initial consideration for permission to sell to Penn National Gaming.

Kevin Desanctis, President and COO of Penn National Gaming, was present on behalf of Penn National to request initial consideration for permission to purchase Argosy Gaming. Mr. Desanctis stated that Penn National is a licensed entity and the parent company of Hollywood Casino Aurora.

Mr. Desanctis provided the Board with the history of Penn National.

Mr. Desanctis noted that the two properties in Illinois that would be affected by the acquisition would be Empress Casino Joliet and Alton Belle Casino. Mr. Desanctis stated that Penn National operates in a very decentralized manner and does not expect any issues in terms of transition for either property. Mr. Desanctis stated that he does not expect any changes once the merger is approved.

Chairman Jaffe stated that Mr. Desanctis indicated that Penn National allows the property to be autonomous, however, he gets the impression that there is a resistance to regulation in Penn National's main headquarters and against autonomy. Chairman Jaffe stated that it seems to him that, whenever there is a problem, the Board seems to get greater resistance from Penn National than the Board does from other groups.

Mr. Desanctis stated that Chairman Jaffe's comments are news to him. Mr. Desanctis stated that he is a very forceful supporter of regulatory compliance. Mr. Desanctis stated that Penn National takes regulatory compliance extremely serious.

Member Gardner inquired about the financing proposal of the transaction. Mr. Desantis stated that this would be an all cash transaction and is being supported mostly with bank financing. Mr. Desantis stated that, after the transaction is completed, approximately \$3 billion dollar capital structure would remain on the bank debt.

Member Gardner requested that Mr. Desantis provide the Board with information regarding the percentage of the Chicago land market that Penn National would have once it acquires Argosy.

Member Gardner requested clarified as to whether current owners of Argosy would have the option to stay in. Mr. Desantis stated that they would not because it is a cash transaction.

Member Gardner inquired about the closing date of the transaction. Mr. Desantis stated that the closing would occur once all of the regulatory approvals are obtained.

Par-A-Dice Gaming Corporation/Boyd Gaming Corporation – Request to Waive the Two-Meeting Rule and Request to Refinance Credit Facility – Donna More was present on behalf of Par-A-Dice Gaming Corporation to request the waiver of the Two-Meeting Rule and to request approval of certain amendments to Boyd’s credit facility.

Ms. More stated that Par-A-Dice Gaming Corporation was before the Board last May and the Board approved a \$1.6 billion credit facility for Boyd. Ms. More stated that all of the significant subsidiaries of Boyd acted as guarantors on that credit facility. Ms. More stated that those guarantees do not change with any of the amendments that are being proposed today.

Ms. More stated that the amendments would lower the cost of borrowing for Boyd and also extend out some of the maturity dates that were set in the original credit facility. Ms. More stated that the guarantors must reaffirm the existing credit facility, but there is no change to the guarantee itself as it was approved last year. Ms. More stated that Boyd is trying to close as soon as possible due to the fact that the market is fluctuating daily.

Ms. More stated that the credit facility would be increased by \$500 million dollars.

Member Gardner inquired how the \$2.1 billion in potential debt compared to overcapitalization. Ms. More stated that she did not know but she would find out for the Board.

Member Gardner inquired about the guarantee. Ms. More stated that the significant subsidiaries are jointly liable. Ms. More stated that there is no particular priority pecking order in terms of one subsidiary being held responsible before another subsidiary. Ms. More stated that the guarantee works as “one for all and all for one.”

Member Peterlin inquired whether the actual properties have pledged their security and is there mortgages involved. Ms. More stated that, as she understands it there would be cash contributions and/or assets at the property involved. Ms. More stated that there are no specifics as to Par-A-Dice's liability as a guarantor. Ms. More stated it is not a change from what was there last year. Ms. More stated that all of the subsidiaries would be asked to contribute their fair share.

Member Gardner stated that Staff explained it to the Board differently. Member Gardner stated that Staff suggested that the last time it was approved, there was a priority pecking order.

Ms. More stated that it was not her understanding based on her conversations with Par-A-Dice.

Ms. More requested that this issue be tabled until the end of the meeting so that she could call representatives for Boyd to possibly obtain answers to the Board's questions.

Harrah's Metropolis – License Renewal – Mike Crider, General Manager, was present before the Board on behalf of Harrah's Metropolis seeking approval for license renewal.

Mr. Crider stated that he has provided the Board and Staff with additional material that addressed the concerns that the Board expressed during the last meeting. Mr. Crider stated that the material included a map of the Metropolis area that provides information about the ethnic minority makeup; a picture and information on the facial recognition equipment that has been established on the casino and an update regarding Harrah's meeting with the local State's Attorney.

Based on the staff's investigation and recommendation, Member Gardner moved that **the Board approve the Owner's License of Southern Illinois Riverboat Casino Cruises Inc. d/b/a Harrah's Metropolis Casino for a term of 4 years commencing retroactively to February 2005.**

Further, Member Gardner moved that **the Board designate and approve the following entities, positions and persons as Key Persons of the licensee subject to further review of any management changes resulting from the merger of Harrah's Entertainment Inc. and Caesars Entertainment Inc.:**

- 1. Harrah's Entertainment, Inc.;**
- 2. Harrah's Operating Company Inc.;**
- 3. Players International, LLC;**
- 4. Players Holding, LLC;**
- 5. SIRCC Board of Directors;**
- 6. President of SIRCC;**
- 7. Director of Internal Audit, Eastern Division, Harrah's Entertainment, Inc.;**

8. **Corporate Director of Investigations and Security Management, Harrah's Entertainment, Inc.;**
9. **Regional General Managers;**
10. **Gary Loveman;**
11. **Charles Atwood;**
12. **Juan Carlos Tolosa; and**
13. **Normand J. Mullan.**

Member Winkler seconded the motion. The Board approved the motion unanimously by voice vote.

Emerald Casino, Inc. – Request to Amend 8/20/02 Credit Agreement – John McMahon was present on behalf of Emerald Casino, Inc. to request approval to amend Emerald Casino, Inc.'s credit agreement. Mr. McMahon stated that, when he was before the Board at the last meeting Member Gardner inquired what would happen at the Bankruptcy Court as it relates to the credit amendment. Mr. McMahon stated that he did correspond with Staff that the court did approve the credit amendment.

Based on the staff's review and recommendation, Member Gardner moved that **the Board approve Emerald Casino, Inc.'s request to amend the 8/20/2002 Credit Agreement. Further, Member Gardner moved that the Board delegate to the Administrator, under Board Rule 3000.230(d)(2), final approval of the transaction upon execution of the appropriate documents.** Member Peterlin seconded the motion. Member Winkler abstained from the vote. The motion passed 3 in favor and 1 abstention.

Argosy Empress Casino Joliet – James Harold Ferry, I.S. Operations Manager - Level One Investigation – Jeff Pfeiffer, Vice President and General Manager for Argosy Empress Casino, was present on behalf of Mr. Ferry to request approval as a Level One Occupational Licensee.

Based on a review of the staff's investigation and recommendation, Member Winkler moved **that the Board approve James Harold Ferry as a Level 1 Occupational Licensee of Argosy Empress Casino Joliet.** Member Gardner seconded the motion. The Board approved the motion unanimously by voice vote.

Argosy Empress Casino Joliet – Michael R. Nott, Director of Finance – Level One Investigation – Jeff Pfeiffer, Vice President and General Manager for Argosy Empress Casino, was present on behalf of Mr. Nott to request approval as a Level One Occupational Licensee.

Based on a review of the staff's investigation and recommendation, Member Winkler moved **that the Board approve Michael R. Nott as a Level 1 Occupational Licensee of Empress Casino.** Member Peterlin seconded the motion. The Board approved the motion unanimously by voice vote.

### Supplier Licensee Items

U.S. Playing Card Company – Jason R. Lockwood, Vice President & Chief Operating Officer – Key Person

Based on a review of the staff's investigation and recommendation, Member Winkler moved that **the Board approve Jason R. Lockwood as a Key Person of U.S. Playing Card Company**. Member Peterlin seconded the motion. The Board approved the motion unanimously by voice vote.

### Occupational Licensees – Approvals & Denials – Level 2's & 3's

Based on staff's investigation and recommendation, Member Peterlin moved that the **Board approve 83 applications for an Occupational License, Level 2, and 126 applications for an Occupational License, Level 3**. Member Winkler seconded the motion. The Board approved the motion unanimously by voice vote.

### Owner Licensee Items – Tabled Matters

Par-A-Dice Gaming Corporation/Boyd Gaming Corporation – Request to Waive the Two-Meeting Rule and Request to Refinance Credit Facility – Donna More requested that the Board resume its public consideration of Par-A-Dice's request as she now has answers to the Board's inquiries. Ms. More stated that if there are questions remaining, she would submit that information to Staff.

Ms. More stated that there was no change from what was submitted and approved last year in terms of the way the guarantee works, which is a "one for all and all for one" structure. Ms. More stated that, to the extent that there was an understanding that there was a priority order, it was a misperception because there was no priority order last year and it remains the same this year. Ms. More stated that there are procedures in the credit facility of what a bank would have to go through before it would come to its last option of foreclosure. Ms. More stated that there would not be a situation, even in the absolute worst case scenario, where the bank take control of the Par-A-Dice casino.

Ms. More stated that the market cap of the company is approximately \$4.8 billion dollars, and the leverage ratio is approximately 3 ½ to 4 to 1. Ms. More stated that Boyd has one more approval in New Jersey on June 22<sup>nd</sup> and then they hope to close the transaction, which is why Boyd is requesting a waiver if the Board saw fit to grant it.

Member Winkler moved that **the Board waive the two-meeting rule required by Board Rule 3000.105(e) to permit Par-A-Dice Gaming Corporation/Boyd Gaming Corporation to present to the Board its request to Refinance Credit Facility as amended so Mr. Gardner can consult with staff about his issues before Monday[June**

**20, 2005], subject to Mr. Gardner's satisfaction of [his] issues** (Member Gardner subsequently approved the matter following his concerns being addressed.) Member Peterlin seconded the motion. The Board approved the motion unanimously by voice vote.

Based on the staff's review and recommendation, Member Winkler moved that **the Board approve Par-A-Dice Gaming Corporation/Boyd Gaming Corporation's request to Refinance Credit Facility and delegate to the Administrator final approval of such transaction, subject to the approval of Member Gardner.** Member Gardner seconded the motion. The Board approved the motion unanimously by voice vote.

At 3:45 P.M., Member Gardner moved that **Pursuant to Section 2 (c), paragraphs (1), (11), and (14) of the Open Meetings Act, the Board retire to Closed Session to discuss the following subject matters:**

- 1. Pending litigation and matters involving probable litigation;**
- 2. Investigations concerning applicants and licensees; and**
- 3. Personnel matters.**

Member Winkler seconded the motion. The Board approved the motion unanimously by voice vote.

The Board adjourned Closed session at 4:12 P.M.

Respectfully submitted,  
Monica Thomas

Secretary to the Board